



Information Partners Can Use on:

# Medicare Part D 2007 Formulary Changes

New Medicare Prescription Drug Coverage

As of October 2006

In 2007, Medicare is continuing to ensure that people with Medicare Prescription Drug Coverage can get the prescription drugs they need. Medicare reviews every Part D plan's formulary and any subsequent changes to that formulary. If a person with Medicare is taking a Part D drug that is not on the plan's formulary, a required transition period allows the person to get a temporary supply of the drug, while they arrange for an alternate prescription or ask for an exception.

## How will Part D plan formularies change in 2007?

In 2007, people with Medicare will have greater access than ever before to the prescription drugs they need. Medicare compared the Part D plan formularies from 2006 to those being offered in 2007, and found the following results.

### Stand-alone Prescription Drug Plans (PDPs)

- At least a 13 percent increase, on average, in the number of items (reference NDCs) on formularies (plan level, unweighted analysis)
- A slight decrease, on average, in the percentage of formulary items with quantity limit restrictions
- No change in prior authorization rates
- A small increase in the percentage of items that require step therapy

### Medicare Advantage Prescription Drug (MA-PD) Plans

- A greater than 10 percent increase on average, in the number of items (reference NDCs) on formularies (plan level, unweighted analysis)
- No change, on average, in the rates of prior authorization and quantity limits
- A slight increase in the rate of step therapy

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## **What do the formularies show about the drugs seniors use most?**

For the 2007 and 2006 formularies, Medicare compared the top 100 drugs that seniors use, in the top 10 enrollment plans in each PDP region. Medicare found that

- For the stand-alone PDPs, there is an average increase of around 8 percent in the number of these top drugs on the formularies.
- For these top drugs in these top PDP plans, there was a small decrease in the number of drugs requiring prior authorization, and an increase in the drugs requiring step therapy and quantity limits.
- For the top 10 MA-PD enrollment plans in each region (i.e., within the states included in the defined PDP regions), there is an average increase of approximately 6 percent in the number of these top drugs on the formularies.
- For the top drugs in these MA-PD plans, there are slight increases in step therapy, prior authorization, and quantity limit requirements.

## **What is Utilization Management?**

Utilization management includes special requirements like prior authorization, step therapy or quantity limits to better manage how prescription drugs are provided to people in the plan. Utilization management tools like these were used in 2006 Medicare Part D plan formularies and is common in commercial (private-sector) drug plans. Medicare reviews the utilization management requirements in each plan's formulary to make sure they are appropriate.

## **Why is utilization management important?**

These tools can protect people with Medicare and keep them safe. In 2007, prior authorization requirements were often added to drugs that may have safety concerns, especially for people with Medicare, such as amphetamine-type central nervous system stimulants. Some plans commonly added step-therapy requirements to drugs to encourage people to try proven, cost-effective drugs first. Some plans added quantity limits to some drugs with safety concerns to make sure they are used in safe, recommended doses. For example, prescription drugs used to treat some mental health conditions commonly have quantity limitations that are consistent with FDA-approved labeling. Others include drugs that could be abused or overused, such as drugs to treat severe pain.

The utilization management tools also are often necessary to bill Medicare correctly. For example, some Part D plans added prior authorization in 2007 to drugs, such as total parenteral nutrition (TPN) products, that could be covered under Medicare Part B depending on the use and/or setting.

## **What transition help is available to people who are affected by formulary changes?**

People with Medicare who are affected by formulary changes from 2006 to 2007 can make use of their plans' transition processes or request exceptions. Transition processes are in place for the following:

- New plan enrollees starting on January 1, 2007
- Enrollees who are newly-eligible to Medicare joining a plan anytime in 2007
- People who transfer from other Part D plans (e.g., full benefit dual eligibles) joining anytime in 2007.

Plans may also provide transition processes for current enrollees who are affected negatively by formulary changes between 2006 and 2007. In general, these processes apply to non-formulary drugs and those drugs beneficiaries have accessed through the exceptions process in 2006. Transition supplies make sure that a person enrolled in the plan can get a temporary fill of the prescription they need. Plans will also send a transition notice to the enrollee within 3 business days of filling a transition supply. This notice will include directions for finding a therapeutic equivalent drug that is on the formulary and a description of the steps to take to file a formulary exception.